

Message Text

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ACTION SS-25

INFO OCT-01 ISO-00 /026 W

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P R 221605Z MAY 75

FM AMEMBASSY CAIRO

TO SECSTATE WASHDC PRIORITY 4145

INFO AMEMBASSY JIDDA

AMEMBASSY TEHRAN

S E C R E T CAIRO 5167

EXDIS

FOR UNDER SECRETARY ROBINSON

EO 11652: GDS

TAGS: USEGJC EAID OVIP (ROBINSON, CHARLES W.)

SUBJECT: ASSISTANCE TO EGYPT

REF: A. JIDDA 3635.

1. CHARGE, ACCOMPANIED BY EMBOFF, CALLED ON
MINFIN ABU ISMAIL TO ADVISE HIM OF SAUDI
RESPONSE PER PARA 7 REFTEL.

2. CHARGE TOLD ABU ISMAIL THAT SAUDIS AGREE
INDICATED APPARENT AGREEMENT IN PRINCIPLE WITH
THE LINES OF OUR PROPOSAL FOR CONCERTED RESPONSE
TO EGYPTIAN APPEAL FOR ERMGENCY BOP ASSISTANCE.
SAUDIS PROMISED EARLY CABINET CONSIDERATION
OF PROPOSAL FOLLOWING VISIT OF AL-KAAYL TO CAIRO,
WHICH PROVIDES EXCELLENT OPPORTUNITY FOR GOE TO APPROACH HIM
ON SUBJECT.

CHARGE POINTED OUT SAUDI INTEREST SIMILAR TO
OURS ON POINTS UNDER SECRETARY HAD MADE TO ABU
ISMAIL AND PRIMIN SALIM DURING FORMER'S VISIT
TO CAIRO EARLIER THIS WEEK, NAMELY NO NET
REPAYMENT TO MAJOR FOREIGN GOVERNMENT CREDITORS
DURING PERIOD WHEN EMERGENCY ASSISTANCE BEING

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GIVEN, AND NECESSITY FOR CONSULTATIONS WITH IBRD

ON METHODS FOR IMPROVEMENT FOREIGN EXCHANGE
MANAGEMENT.

3. ABU ISMAIL SAID HE WAS GRATEFUL FOR THIS
INFORMATION AND APPRECIATED BEING KEPT INFORMED
OF DEVELOPMENTS. WITH RESPECT TO IBRD QUESTION
HE REPORTED THAT HE HAD TAKEN DUBEY AND IKRAM TO MEET
WITH PRIMIN FOLLOWING THEIR CALL ON HIM EARLIER
SAME DAY, FOR FULL DISCUSSION OF WORLD BANK'S
NEEDS IN ORDER TO MAKE NECESSARY STUDIES. HE
SAID HE HAD AUTHORIZED THEM TO UNDERTAKE
EFFORT AND HAD INSTRUCTED HIS MINISTRY TO PROVIDE
THEM WITH ALL INFORMATION THEY DESIRE. CHARGE
REPLIED HE WAS GRATIFIED TO LEARN THIS AND KNEW
THAT UNDER SECRETARY ROBINSON WOULD BE REASSURED
BY THIS INFORMATION.

4. CHARGE MENTIONED THAT SAUDIS AGREED WITH
APPROACH WHICH WOULD NOT REQUIRE FORMATION BY
DONOR STATES OF CONSORTIUM, BUT RATHER WOULD
CONTEMPLATE BILATERAL ARRANGEMENTS AMONG "NUCLEUS"
STATES AND OTHERS. ABU ISMAIL EXPRESSED
CONCERN OVER BILATERAL ASPECT OF ASSISTANCE POINTING
OUT THAT EGYPT MUST KNOW HOW MUCH TO EXPECT
AND FROM WHOM. HE ASKED IN PARTICULAR WHO
"OTHER DONOR STATES" WOULD BE SO THAT EGYPT
COULD APPROACH THEM. CHARGE REPLIED THAT INITIAL
EFFORT WOULD BE TO ESTABLISH CONTRIBUTIONS FROM
NUCLEUS STATES AFTER WHICH IT WOULD BE POSSIBLE
TO DISCUSS PARTICIPATION BY OTHERS. WE WOULD
KEEP GOE INFORMED OF DEVELOPMENTS.

5. ABU ISMAIL EMPHASIZED URGENCY OF ARRANGING
FOR ASSISTANCE SINCE EGYPT NEEDS LE 632
MILLION TO COVER IMPORTATION OF CONSUMER GOODS,
SEMI-FINISHED PRODUCTS AND RAW MATERIALS FOR
REMAINDER OF THIS YEAR. IT WOULD BE IMPOSSIBLE
TO CUT BACK ON ANY OF THESE ITEMS. THESE WERE
FIGURES HE HAD GIVEN UNDER SECRETARY AND THEY
REPRESENT REQUIREMENTS WHICH MUST BE TAKEN
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INTO ACCOUNT WHEN DETERMINING LEVEL OF ASSISTANCE.

6. CHARGE EXPRESSED DOUBT EMERGENCY ASSISTANCE
WHICH COULD BE GATHERED WOULD REACH THIS LEVEL
AND OUR ANALYSIS INDICATED THAT WITH APPROPRIATE
APPLICATION OF PRIORITIES GAP COULD BE REDUCED TO
LOWER RANGE. EXAMPLE OF LE 172 MILLION FOR
BILATERAL REPAYMENTS WHICH REPRESENTED MASSIVE

INCREASE OVER PREVIOUS YEAR'S FIGURE WAS
CITED AS ONE AREA WHERE THERE WAS PROBABLY ROOM
FOR REDUCTION.

7. ABU ISMAIL REPEATED THAT EGYPT COULD NOT
REDUCE FOOD IMPORTS OR MATERIALS NEEDED FOR
RECONSTRUCTION AND UTILIZATION OF EXISTING
INDUSTRIAL CAPACITY. ABU ISMAIL AGAIN EXPRESSED CONCERN
ABOUT SIZE OF ASSISTANCE PACKAGE THAT COULD BE EXPECTED
AS RESULT US EFFORT AND REITERATED HIS CONCERNS
THAT IT WOULD FALL SHORT OF EGYPT'S NEEDS,
I.E., LE 632 MILLION. FOR THIS REASON EGYPT
NEEDED TO KNOW WHICH COUNTRIES WILL CONTRIBUTE,
HOW MUCH AND ON WHAT TERMS. CHARGE STATED THAT
EFFORT TO MARSHAL CONTRIBUTIONS WAS IN PROGRESS,
BUT IT WAS NOT POSSIBLE AT THIS EARLY STAGE TO
PROVIDE ANY MORE SPECIFIC INFORMATION
BEYOND THAT WHICH UNDER SECRETARY ROBINSON HAD
GIVEN HIM. HOWEVER, HE PROMISED TO PASS ON
MINISTER'S REQUEST FOR PROJECTED AMOUNTS TO BE
CONTRIBUTED AND BY WHICH COUNTRIES, AS WELL AS
FOR INDICATION OF ESTIMATED LEVEL OF TOTAL
FINANCIAL AID TO BE MADE AVAILABLE.

8. IN CONCLUSION, CHARGE STRESSED THAT DONOR
IN HELPING EGYPT THROUGH DIFFICULT STRAITS, WOULD
STATES EXPECT EGYPT TO MINIMIZE HER
EXPENDITURES INCLUDING, IF NECESSARY, A REDUCTION
IN PLANNED STOCKPILES OF CONSUMER GOODS, AND
RATIONALIZATION OF IMPORT PLANS
IN ORDER TO REDUCE OVERALL EXPENDITURES TO
MANAGEABLE PROPORTIONS.

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9. COMMENT: IT WAS VERY APPARENT FROM
THIS CONVERSATION THAT GOE EXPECTATIONS OF LEVEL
OF EMERGENCY ASSISTANCE US IS IN
COURSE OF ORGANIZING FAR EXCEEDS TOTAL PRESENT
PROJECTIONS ON OUR PART. CLEARLY, ABU ISMAIL
EXPECTS SUM TO BE \$1.5 BILLION. WE ATTEMPTED
TO CONVEY TO HIM THAT THIS AMOUNT WAS CONSIDERABLY
IN EXCESS OF WHAT COULD REALISTICALLY BE
OBTAINED, BUT WE DO NOT BELIEVE THAT HE WAS
CONVINCED THAT RATIONALIZATION OF EGYPT'S FOREIGN
EXCHANGE EXPENDITURES WOULD HAVE TO BE
UNDERTAKEN. IF ABU ISMAIL'S ATTITUDE IS ANY
INDICATION OF GOE THINKING, IT WOULD SEEM
ESSENTIAL TO INTRODUCE ELEMENT OF REALISM
BY INDICATING TO GOE MORE SPECIFIC RANGE OF

PROJECTED ASSISTANCE AS SOON AS POSSIBLE
IN ORDER TO PREVENT DEVELOPMENT OF SITUATION
WHERE FAILURE TO MEET EXCESSIVE EGYPTIAN
EXPECTATIONS NEGATES IMPACT OF MAJOR ASSISTANCE
EFFORT US IS UNDERTAKING.
MAESTRONE

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